

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 PM-04 NSC-05 SP-02 SS-15 PA-01  
PRS-01 CIAE-00 COME-00 EB-08 INR-07 LAB-04 NSAE-00  
SIL-01 USIA-06 AID-05 /085 W  
-----101150Z 122997 /11

R 100825Z FEB 77  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC 0133  
INFO AMEMBASSY BONN  
AMEMBASSY LONDON  
AMEMBASSY MADRID  
AMCONSUL OPORTO  
AMEMBASSY PARIS  
AMCONSUL PONTA DELGADA  
USMISSION NATO  
/DIA WASHDC  
USCINCEUR VAIHINGEN GER  
AMEMBASSY OSLO  
AMEMBASSY ROME  
AMEMBASSY STOCKHOLM  
USMISSION EC BRUSSELS  
USMISSION GENEVA

C O N F I D E N T I A L SECTION 1 OF 3 LISBON 1118

E.O. 11652: XGDS-4  
TAGS: ELAB, PINT, PO  
SUBJECT: PSD LABOR STRATEGY: AN ASSESSMENT

REF: (A) LISBON (DTG 191701Z JAN 77) NOTAL, (B) LISBON 76 LISBON  
8290 (DTG 301622Z NOV 76) NOTAL

SUMMARY: THE SOCIAL DEMOCRATIC PARTY (PSD) HAS FOLLOWED  
AN UNCOMPLICATED STRAIGHT-FORWARD LABOR POLICY. IT HAS  
SIGNIFICANTLY STRENGTHENED ITS LABOR CADRE AND HAS ENCOURAGED  
ITS UNIONS TO REMAIN OUTSIDE THE COMMUNIST-CONTROLLED LABOR  
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CONFEDERATION IN THE CONFIDENT EXPECTATION THAT A SECOND,  
DEMOCRATIC, LABOR CONFEDERATION WILL EVENTUALLY EMERGE.  
TACTICALLY, THE PAS HAS SOUGHT THE COOPERATION OF THE SOCIALISTS  
(PS) IN LABOR AFFAIRS IN ORDER TO PRESENT A UNITED DEMOCRATIC  
FRONT AGAINST THE DOMINANT PCP. THE PSD COMPLAINS, HOWEVER,  
THAT THE SOCIALISTS AGREE TO TACIT COOPERATION ONLY WHEN IT  
IS IN THE PS INTEREST; THE PSD HAS NOT RECEIVED COMPENSATING

ADVANTAGES. ALTHOUGH THE PSD WOULD PREFER TO WORK WITH THE PS MODERATES, IT WILL BE INCREASINGLY INCLINED TO GO ITS OWN WAY IN LABOR IF THE PS DOES NOT DEMONSTRATE A NEW AND CONVINCING WILLINGNESS TO COLLABORATE. ALTHOUGH BOTH PARTIES RECOGNIZED THE INHERENT ADVANTAGES INVOLVED, THERE WOULD SEEM TO BE DOUBTFUL PROSPECTS FOR SUBSTANTIAL COOPERATION IN LABOR BETWEEN THE PS AND THE PSD IN THE SHORT-TERM. END SUMMARY

1. PSD LABOR STRATEGY: THE LABOR STRATEGY OF THE SOCIAL DEMOCRATIC PARTY IS SIMPLE AND CONSISTENT, ESPECIALLY WHEN COMPARE TO THE SOCIALISTS WHO ARE UNDECIDED AMONG SEVERAL POSSIBLE COURSES (REF A). PSD LEADER SA CARNEIRO TOLD THE AMBASSADOR IN LATE 1976 THAT THE PSD WAS DETERMINED TO STRENGTHEN ITS LABOR BASE, EVEN IF IT RISKED ALTERING THE ORIENTATION OF THE PARTY. THE PSD HAS MADE RECENT SUBSTANTIAL PROGRESS TOWARD IMPROVING ITS POSITION IN THE UNIONS, PARTICULARLY AMONG WHITE COLLAR AND TECHNICAL WORKERS. PARTY POLICY HAS KEPT THE UNIONS IT CONTROLS OUT OF INTERSINDICAL (NOW RENAMED THE CGTP). THE PSD BELIEVES ANY ATTEMPT TO WORK FROM WITHIN THAT ORGANIZATION IS FOREDOOMED TO FAILURE.

2. PSD FAVORS SECOND CONFEDERATION: ALTHOUGH THEY CANNOT PUBLICLY COME OUT IN FAVOR OF DIVIDING THE LABOR MOVEMENT, PSD LEADERS ARE CONVINCED THAT, SOONER OR LATER, A SECOND, DEMOCRATIC, LABOR CONFEDERATION WILL BE FORMED. THEY CURRENTLY LOOK TO THE SOCIALISTS TO TAKE THE LEAD IN THIS DIRECTION, AS ONLY THE SOCIALISTS HAVE SUFFICIENT LABOR FOLLOWING TO MAKE SUCH AN ATTEMPT CONVINCING. HOWEVER, THE PSD IS WORRIED ABOUT SOCIALIST WILLINGNESS TO COOPERATE  
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WITH THEM IN LABOR MATTERS. THEY DECLARE THAT IF THE SOCIALISTS DO NOT GIVE SIGNS OF A SINCERE DESIRE TO COOPERATE, THERE COULD BE THREE CONFEDERATIONS (PCP, PS, AND PSD) JUST AS EASILY AS THERE COULD BE TWO. IT IS OF INTEREST THAT THE PSD HAS GIVEN ONLY "QUALIFIED SUPPORT" TO THE SOCIALIST ENDORESED "OPEN LETTER" (CARTA ABERTA) MOVEMENT, LARGELY BECAUSE OF DISTRUST OF THE MOVEMENT'S LEADERS AND ITS LACK OF A CLEARLY DEFINED POLICY.

3. PSD DISSATISFACTION WITH THE SOCIALISTS: LEADING PSD LABOR STRATEGISTS ARE PARTY VIC PRESIDENT RUI MACHETE AND AND LABOR ADVISOR MARIO PINTO. THEY NOTE THAT THE PSD AND THE PS TOGETHER CONTROL 60 - 70 PERCENT OF THE POPULAR VOTE, AND ARGUE THAT THIS PREPONDERANCE SHOULD PROVIDE THEM, PRIMA FACIE, THE STRENGTH TO MOUNT AN EFFECTIVE COMBINED EFFORT AGAINST PCP DOMINATION OF ORGANIZED LABOR. THEY COMPLAIN THAT PS HAS USUALLY REJECTED PSD OFFERS TO COOPERATE IN THE LABOR SECTOR, AND HAS AGREED TO TACIT COOPERATION ONLY IN AREAS OF PSD STRENGTH. AS A RESULT,

THE PSD BELIEVES THAT IN MANY UNIONS ITS SUPPORT HAS BEEN DECISIVE IN ELECTING SOCIALIST LEADERSHIPS, WITH INSUFFICIENT COMPENSATING ADVANTAGES TO THE PSD IN RETURN. IN THE PAST THE PSD BLAMED THE SOCIALIST REJECTIONS, TO BE INFILTRATED BY COMMUNIST PART "SUBMARINES."

4. PSD PRAGMATIC APPROACH: THE PSD IS PRAGMATIC AND RECOGNIZES THE INTERNAL PROBLEMS THAT THE SOCIALIST LEFT WING POSES FOR THE PS. MARIO PINTO EXPRESSED ADMIRATION AT PS DECISIVENESS IN CLEANING OUT OF THE "TROTSKYITE"

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C O N F I D E N T I A L SECTION 2 OF 3 LISBON 1118

LABOR FACTION HEADED BY AIRES RODRIGUES AND CARMELINDA PEREIRA ON THE EVE OF THE INTERSINDICAL NATIONAL ALL UNION LABOR CONGRESS. THEIR DEPARTURE SIGNIFICANTLY IMPROVED CHANCES FOR EVENTUAL PS-PSD LABOR COOPERATION. PINTO HAS OFTEN STRESSED HIS PARTY'S READINESS TO WORK WITH SOCIALIST MODERATES. HE IS A PERSONAL FRIEND OF

SECRETARY OF LABOR MALDONADO GONELHA AND GETS ALONG WELL  
WITH PS LABOR ADVISOR MADUREIRA.

5. PSD WILLING TO GO IT ALONE: CONSIDERING THE  
SOCIALISTS' CONSISTENT UNWILLINGNESS TO ACCEPT CONSISTENTLY  
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EVEN TACIT COOPERATION, THE PSD IS WORKING HARD TO DEVELOP  
ITS OWN INDEPENDENT LABOR FOLLOWING, WITH THE  
POTENTIAL OF EVENTUALLY FOUNDING AN INDEPENDENT LABOR  
CONFEDERATION. AS AN EXAMPLE OF THIS ATTITUDE, PINTO TOLD  
LABATT JAN 24 THAT HE WILL WARN MADUREIRA THAT IF THE PS  
DOES NOT AGREE TO A COMMON LIST OF CANDIDATES FOR THE FORTH-  
COMING SOUTHERN BANK WORKERS UNION ELECTION, THE PSD IS  
PREPARED TO SUBMIT ITS OWN SLATE. CONTROLLING THIS UNION  
HAS BEEN A KEY SOURCE OF SOCIALIST LABOR STRENGTH; A  
SEPARATE PSD SLATE WOULD THROW THE ELECTION INTO A THREE-  
WAY TOSS-UP BETWEEN THE PSD, THE PS, AND THE PCP. PINTO  
MAINTAINED THAT THE PSD HAS A REASONABLE CHANCE TO WIN.  
HE DID NOT BELIEVE THAT A PSD-PS SPLIT  
WOULD AUTOMATICALLY ENSURE A COMMUNIST VICTORY IN THIS  
PARTICULAR CASE, ALTHOUGH SUCH HAS BEEN THE OUTCOME  
FREQUENTLY IN THE PAST IN OTHER UNION ELECTIONS. AS OF  
FEB 5 NO AGREEMENT ON A JOINT SLATE HAD BEEN REACHED.  
ELECTORAL LISTS MUST BE SUBMITTED BY FEB 10.

6. AREAS OF PSD - PS LABOR COOPERATION: ASIDE FROM  
OCCASIONAL TACIT ALLIANCES IN UNION ELECTIONS, THE PSD  
AND THE PS HAVE COOPERATED MOST RECENTLY IN THE FORMATION  
OF A "FEDERATION OF TECHNICIANS" (REF B). THIS PROPOSED  
FEDERATION PRESENTLY INCLUDES SEVEN WHITE COLLAR UNIONS  
(ENGINEERS, DRAFTSMEN, MERCHANT MARINE OFFICERS, AGRONOMISTS).  
PINTO TOLD LABATT HE TOOK LEAD IN DRAWING UP THE FEDERATION'S  
STATUTES AND IN GETTING THEM APPROVED BY THE INDIVIDUAL  
UNIONS. UNION APPROVAL WAS SLOW IN COMING, HOWEVER, UNTIL  
SECRETARY OF STATE FOR LABOR MALDONADO GONELHA CALLED THE  
UNIONS AND ADDED HIS PERSONAL SUPPORT -- A MOVE WHICH GREATLY  
AIDED IN OBTAINING APPROVAL. PINTO STATED THAT MALDONADO'S  
ACTION DID NOT REPRESENT A COORDINATED SOCIALIST PARTY  
POSITION BUT WAS DONE AT MALDONADO'S OWN  
INITIATIVE.

7. PSD SEEKS OUTSIDE SUPPORT: THE PSD HAS SOUGHT CONTACTS  
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AND LIAISON WITH INTERNATIONAL (INCLUDING US) LABOR

ORGANIZATIONS. THE PSD RECOGNIZES THAT CHANGES OF "FOREIGN INTERVENTION" WOULD BE DIRECTED AT LABOR PROGRAMS IDENTIFIED WITH THE US OR THE AFL-CIO, AND HAS EMPHASIZED THE UTILITY OF MERGING ANY US PRESENCE WITH THIRD COUNTRY OR INTERNATIONAL LABOR ENTITIES. NEVERTHELESS, THE PSD HAS CONSISTENTLY BEEN MORE OPEN IN SEEKING US COOPERATION THAN THE PS -- WHICH HAS REQUIRED A LONG EVOLUTIONARY PERIOD BEFORE ACCEPTING THE PROSPECT OF CONTACTS WITH US LABOR ORGANIZATIONS.

8. CREATION OF OLIVEIRA MARTINS FOUNDATION: THE ESTABLISHMENT OF THE OLIVEIRA MARTINS FOUNDATION, WHICH IS PRIMARILY DIRECTED TOWARD STRENGTHENING THE PARTY'S LABOR BASE, HAS HAD NOTICEABLE IMPACT BOTH IN IMPROVING LIAISON WITH INTERNATIONAL LABOR ORGANIZATIONS AND IN REVITALIZING THE PARTY'S UNION ACTIVITIES. MACHETE TOLD LABATT FEB 5 THAT THE FOUNDATION NOW HAS TEN FULL-TIME EMPLOYEES. THE PSD IS PLEASED WITH THE QUALIFICATIONS OF THE PEOPLE IT HAS HIRED, INCLUDING TWO FORMER PSD SECRETARIES OF STATE IN THE PROVISIONAL GOVERNMENTS -- RUI AMARAL AND FURTADO FERNANDES. THE FOUNDATION IS GIVING EQUAL EMPHASIS TO AREAS OF PSD STRENGTH IN NORTHERN AND CENTRAL PORTUGAL,

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AMEMBASSY ROME

AMEMBASSY STOCKHOLM  
USMISSION EC BRUSSELS  
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C O N F I D E N T I A L SECTION 3 OF 3 LISBON 1118

A VARIATION FROM THE FREQUENT TENDENCY TO CONCENTRATE  
ACTIVITIES IN THE CAPITAL.

9. PSD UPSURGE IN LABOR: THE PSD'S JAN 29 VICTORY IN  
THE CENTRAL ZONE TEACHERS' UNION BY A SUBSTANTIAL MARGIN  
(PSD - 50 PERCENT; PS - 27 PERCENT; LEFT COALITION - 23  
PERCENT) WAS A NOTABLE BOOST, WHICH MACHETE CREDITED  
DIRECTLY TO THE ORGANIZATIONAL WORK OF THE FOUNDATION.  
THIS WAS FOLLOWED BY AN UNEXPECTED VICTORY FEB 2 IN THE  
PORTUGUESE AIRLINE WORKERS'S COMMISSION ELECTIONS,  
WITH 43 PERCENT OF THE VOTE, OVERTURNING THE INCUMBENT  
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PS-MRPP COALITION. IN ADDITION, THE PSD CAME WITHIN  
FIVE VOTES OF OVERTURNING THE PS LEADERSHIP OF THE STATE  
RADIO (RDP) WORKERS' COMMISSION. THIS SURGE COULD BE AN  
IMPORTANT FACTOR IN ENCOURAGING THE PSD TO GO IT ALONE  
IN LABOR, ALTHOUGH THE PSD STILL TRAILS THE PS BY A WIDE  
MARGIN. IT COULD ALSO INCREASE PSD BARGAINING POWER WHEN  
SEEKING PS COOPERATION.

10. INSTITUTE FOR LABOR AND SOCIAL TRAINING: IN ADDITION  
TO THE OLIVEIRA MARTINS FOUNDATION, THE PSD HAS NEBULOUS  
BUT ADMITTED INTEREST IN THE INSTITUTE FOR LABOR AND SOCIAL  
TRAINING (INSTITUTO DE FORMACAO SOCIAL E DO TRABALHO).  
THIS INSTITUTE DEVELOPED IN 1976 AS AN OUTGROWTH OF THE  
DEMOCRATIC LABOR FORCE (FORCA DEMOCRATICA DO TRABALHO),  
BOTH OF WHICH RECEIVE UNPUBLICIZED SUPPORT FROM THE  
CONRAD ADENAUER FOUNDATION OF THE FRG'S CHRISTIAN  
DEMOCRATIC PARTY. THE INSTITUTE HAS GRADUALLY DEVELOPED  
INTO A RESPECTED TEACHING ENTITY WITH EMPHASIS ON  
COURSES IN LABOR/MANAGEMENT RELATIONS ITS MAJOR STRENGTH IS  
THAT IT HAS A NON-POLITICAL IMAGE AND INCLUDES THE RECOGNIZED  
PARTICIPATION OF BOTH PS AND PSD FACULTY MEMBERS AND STUDENTS.

11. CONCLUSIONS: IN THE PAST, PRIME MINISTER SOARES HAS  
INDICATED TO THE AMBASSADOR A WILLINGNESS TO COOPERATE WITH  
THE PSD IN LABOR AFFAIRS. HOWEVER, SOARES'S DIFFICULTIES  
WITH THE LEFT WING OF THE PARTY, AND A CERTAIN GRASS ROOTS  
RESISTENCE -- PARTICULARLY IN THE LISBON AREA -- MADE SUCH  
SOCIALIST COOPERATION DIFFICULT TO BRING ABOUT. MOREOVER,  
SOARES HAS RECENTLY EVIDENCED RESERVATIONS REGARDING  
POSSIBLE AFL-CIO CONTACTS WITH PSD LABOR ENTITIES SUCH AS  
THE OLIVEIRA MARTINS FOUNDATION AND THE INSTITUTE FOR LABOR

AND SOCIAL TRAINING, AN ATTITUDE WHICH HARDLY ENCOURAGES  
COOPERATION BETWEEN THE PS AND THE PSD. THE DIFFICULTIES OF  
PS - PSD COOPERATION ARE AGGRAVATED BY PSD PRESSURE FOR A  
GLOBAL AGREEMENT BETWEEN THE TWO PARTIES. SA CARNEIRO'S POLICY  
OF OPEN OPPOSITION TO THE GOVERNMENT FURTHER COMPLICATES  
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EFFORTS AT CLOSER LABOR RELATIONS. WHILE MUTUAL GOOD WILL  
EXISTS BETWEEN SECOND LEVEL LABOR LEADERS OF THE TWO PARTIES,  
IMMEDIATE PROSPECTS DO NOT FAVOR SUBSTANTIAL COOPERATION  
IN THE SHORT-TERM EVEN THOUGH BOTH SIDES RECOGNIZED SUCH  
COOPERATION IS ESSENTIAL IF THERE IS TO BE AN EFFECTIVE  
CHALLENGE TO COMMUNIST DOMINATION OF ORGANIZED LABOR.  
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